

# Business Planning

The University of South Carolina  
Darla Moore School of Business  
Small Business Development Center (SBDC)

## Columbia Area Office

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# SBDC Services

- Continuing Education: Workshops
- Client Counseling: Free & Confidential
- Information & Referral: One time calls.
- Special Purpose Progs: Export & Procurement



# 2007 SBDC Operating Statistics

For every dollar SC spent  
supporting the SBDC, the state  
realized a return of \$148.10

\$138.7 million economic impact.

# Personal Analysis...

## Is Entrepreneurship For You?

- Are you a self-starter?
- How well do you get along with different personalities?
- How good are you at making decisions?
- Do you have the stamina to run a business?
- How well do you plan and organize?
- Is your drive strong enough to maintain your motivation?
- How will the business affect your family?

# Personal Analysis...

There are some excellent  
Personal Assessment tools at

[http://sba.gov/assessmenttool  
/index.html](http://sba.gov/assessmenttool/index.html)

# Personal Analysis...

## What is Your Financial Situation?

- Do you have enough assets to finance the whole start-up yourself?
- If not, do you have:
  - A credit score above 650? (good)
  - Above 675? (Better)
  - Above 700? (Best)
  - 10%-50% of the cash required to start?
  - Collateral to cover the loan amount?



# **Preparing to Start Your Business.**

## **Selecting the appropriate Legal Structure.**

### Non-Corporate Structures

- Sole Proprietorship
- General Partnership
- Limited Partnership

### Corporate Structures

- C Corporation
- Sub Chapter S Corporation

### Hybrids

- Limited Liability Companies

# Preparing to Start...

## Three Questions:

- **Why** should it exist?
- **What** should be done?
- **How** should it be done?

- **A Business Plan should utilize these tools to answer these questions, and more.**

## Three Tools:

- Mission Statement
- Goals & Objectives
- SWOT Analysis





# Preparing to Start...

## The Mission Statement

- Reflects the core purpose and direction of the company
- Embodies the basic values of owners and employees
- Is short and focused
- Is not overly elaborate
- Stresses company uniqueness

# Preparing to Start...

The USC  
Small Business Development Center  
mission is to provide  
*Free & Confidential*  
managerial and technical assistance to  
*new and existing* businesses, thereby  
furthering economic development.

# Preparing to Start...

## Company Goals & Objectives

- **Goals:**
  - Overall direction for the future
  - Long-term
  - Should be phrased in terms outcomes rather than actions
- **Objectives:**
  - Generally short-term
  - Should be:
    - **S**imple
    - **M**easurable
    - **A**ttainable
    - **R**easonable
    - **T**ime-bound

Both should be challenging, yet realistic

# Preparing to Start...

## SWOT Analysis

	Positive	Negative
Internal	STRENGTHS	WEAKNESSES
External	OPPORTUNITIES	THREATS

Brutal Honesty is Your Best Policy!

# Eight Reasons to do a Business Plan

1. Will force you to take a good look at the business
2. Can be used as a feasibility study or help continue success
3. A good tool for better management
4. Helps communicate your ideas
5. Helps you to move from “reactive” to “proactive”
6. Points everyone in the same direction
7. Helps identify opportunities
8. Focuses attention on important questions

# Business Plan Outline

The Outline We Use  
can be found at:

1. [www.uscbiz.net](http://www.uscbiz.net)
2. Click on Resources
3. Click on "SBDC's Business Startup Info"
4. All information that was previously provided on a CD is now on this website, including a Business Plan Outline.

# Business Plan...

## Outline

- I. Executive Summary (done last)
- II. The Company, Its Mission & Products
- III. The National Industry
- IV. Local Market Research
- V. Target Analysis
- VI. Marketing Plan
- VII. Operating Plan
- VIII. Management Team
- IX. The Financial Plan
- X. Appendix

# Business Plan...

## The Company and Its Mission & Products

- What is your Mission Statement?
- What is the legal structure of the business?
- What are your products or services?
- What needs do your products fulfill?



# Business Plan...

## The National Industry

### National Industry Research

- Reference Materials
- Trade Associations
- Internet
- Industry Life Cycle
- Competitive Positioning

# Business Plan...

## Local Market

### Research and Analysis

- One of the most difficult and important sections of the plan
  - Who are your customers?
  - What are the market size and trends?
  - Who is your competition?
- Some Internet Resources
  - [www.census.gov](http://www.census.gov)
  - [www.eVenturing.org](http://www.eVenturing.org) (Kauffman Foundation)
  - [www.scCommunityProfiles.org](http://www.scCommunityProfiles.org)
  - Library Resources

# Business Plan Example: National Market Research - Gymnastics

- About 1% of US households participate. (source?)
- Avg. Household that participates makes > \$45,000 annual income.
- Typical participating household has 2 school age children.
- 80% of participants are female.
- 95% of participants are white.

# Business Plan Example: Local Market Research – Gymnastics

- 5,000 qualifying households within 7 miles.
- But, 3 competitors within 7 miles leaves 1,250 potential customers if market is split equally ( $5,000 / 4$ ).
- But, our new business is unknown. Assuming we get 10% of the remaining potentials, how many customers would we have?  $(10\% \times 1250) = 125$  potential customers.
- The Business Plan shows a breakeven of 40 customers. Does this business have a viable market? YES !

# Business Plan...

## - Marketing Plan -

### How are we going to get our message to our target?

- Overall Marketing Strategy
- Pricing
- Sales Tactics
- Advertising and Promotion
  - Detail of all marketing plans & expenses

# Business Plan...

## Operating Plan

- Location
- Facilities and Improvements
- Strategy and Plans
  - Cost / Volume relationship
  - Quality Control
- Labor Force

# Business Plan...

## Management Team

- Organization
- Key Personnel: Who are they? What are their qualifications? Attach resumes in the appendix.
- Ownership: Which managers will be owners or part-owners?
- What are the general responsibilities of each manager?

# Business Plan...

## The Financial Plan

85% OF BUSINESS FAILURES  
CAN BE ATTRIBUTED TO FAILURE IN  
UNDERSTANDING FINANCIAL STATEMENTS.  
(Brian Hamilton, CEO of Sageworks, Inc.)

- Sources and Uses of Funds
- Pro Forma Cash Flow Analysis
- Profit and Loss Forecasts
- Pro Forma Balance Sheet



# Sources and Uses of Funds

- Used to detail start-up costs and remaining working capital
  - **Sources** of funds: owner's funds, other equity, loans
  - **Uses** of funds: land, building, equipment, machinery, renovations, prepaid insurance, promotions, inventory, furniture and fixtures, deposits, etc.
  - Cash Balance or Working Capital

# Cash Flow Analysis

- Start with Working Capital
- **Add cash received**
  - Evaluate accounts receivable
  - Estimate collection times
- **Subtract cash disbursements**
- Sum to estimate cash surplus / deficit at the end of each month – net cash flow

# Profit and Loss Forecast

A picture of your business's financial condition over a period of time

Monthly Sales

- Cost of Goods Sold

Gross Profit

- Labor Expenses

- Other Operating Expenses

Net Profit before Taxes

- Federal and State Income Taxes

**Net Income**

# The Balance Sheet

- A picture of your business's financial condition on a particular day

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

# Appendix

- 3 years Federal Tax Returns for owners of 20%+
- Personal Net Worth statement for owners of 20%+
- Credit report(s) for owners of 20% or more.
- Resumes of Management Team
- Background Information
- Heavy Data / Technical Info
- Letters of Intent
- Photographs / Blueprints
- Product Specifications or Design
- Price Lists
- Lease and Purchase Agreements
- Marketing Charts / Graphs
- Supporting Articles or Publications

# Summary of Today

1. Evaluate yourself.
2. Have a thorough and realistic business plan.
3. Avoid being awarded an “orange jumpsuit.” Follow all the rules. In other words, keep it legal.
4. Hopefully, you can create a business environment that is enjoyable & provides financial rewards for *everyone* involved.

# Thank you for your time!

## Any questions?

### USC Small Business Development Center

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